



Touchstone Exploration Inc.

Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the three months ended March 31, 2024 and 2023

Touchstone Exploration Inc.
Interim Condensed Consolidated Balance Sheets
Unaudited, Stated in thousands of United States dollars

As at	Note	March 31, 2024	December 31, 2023
Assets			
Current assets			
Cash		9,537	8,186
Accounts receivable	3	12,757	12,852
Inventory		94	91
Prepaid expenses		1,277	764
Assets held for sale	5	1,869	677
		25,534	22,570
Exploration and evaluation assets			
Property, plant and equipment	4	5,063	5,030
Property, plant and equipment	5	115,807	108,148
Restricted cash	8	726	785
Other assets	3	291	334
Abandonment fund	9	2,292	2,081
Total assets		149,713	138,948
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	23,930	15,013
Income taxes payable	10	725	240
Current portion of bank debt	8	13,000	13,000
Liabilities associated with assets held for sale	5	2,000	1,898
		39,655	30,151
Lease liabilities			
Lease liabilities	7	2,749	2,888
Bank debt	8	13,479	14,977
Decommissioning liabilities	9	9,698	9,733
Deferred income taxes	10	20,620	21,433
Total liabilities		86,201	79,182
Shareholders' equity			
Shareholders' capital	11	114,965	114,965
Contributed surplus		6,581	6,166
Other comprehensive loss		(13,421)	(13,124)
Deficit		(44,613)	(48,241)
Total shareholders' equity		63,512	59,766
Total liabilities and shareholders' equity		149,713	138,948

Commitments (Note 16)
Subsequent events (Note 17)

See accompanying notes to these unaudited interim condensed consolidated financial statements.

Touchstone Exploration Inc.**Interim Condensed Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)**

For the three months ended March 31

Unaudited, stated in thousands of United States dollars (except per share amounts)

	Note	2024	2023
Revenue			
Petroleum and natural gas sales	12	16,584	8,476
Less: royalties		(3,677)	(2,504)
Petroleum and natural gas revenue, net of royalties		12,907	5,972
Other revenue		18	12
Total revenue		12,925	5,984
Expenses			
Operating		2,444	2,320
General and administration		2,366	2,101
Net finance	13	679	431
Transaction costs	17	380	-
Exploration		94	-
Foreign exchange loss (gain)	14	53	(110)
Equity-based compensation	11	401	361
Depletion and depreciation	5	2,252	1,377
Impairment	4	524	15
Total expenses		9,193	6,495
Earnings (loss) before income taxes		3,732	(511)
Provision for income taxes			
Current expense	10	844	215
Deferred recovery	10	(740)	(447)
Total income tax expense (recovery)		104	(232)
Net earnings (loss)		3,628	(279)
Currency translation adjustments		(297)	(3)
Comprehensive income (loss)		3,331	(282)
Net earnings (loss) per common share			
Basic and diluted	11	0.02	(0.00)

See accompanying notes to these unaudited interim condensed consolidated financial statements.

Touchstone Exploration Inc.
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

For the three months ended March 31

Unaudited, stated in thousands of United States dollars

	Note	2024	2023
Shareholders' capital			
Balance, beginning of period		114,965	114,635
Equity-based settlements		-	-
Balance, end of period		114,965	114,635
Contributed surplus			
Balance, beginning of period		6,166	4,905
Equity-based compensation expense	11	401	361
Equity-based compensation capitalized	4,5	14	62
Balance, end of period		6,581	5,328
Other comprehensive loss			
Balance, beginning of period		(13,124)	(13,517)
Other comprehensive loss		(297)	(3)
Balance, end of period		(13,421)	(13,520)
Deficit			
Balance, beginning of period		(48,241)	(27,643)
Net earnings (loss)		3,628	(279)
Balance, end of period		(44,613)	(27,922)

See accompanying notes to these unaudited interim condensed consolidated financial statements.

Touchstone Exploration Inc.
Interim Condensed Consolidated Statements of Cash Flows

For the three months ended March 31

Unaudited, stated in thousands of United States dollars

	Note	2024	2023
Operating activities			
Net earnings (loss)		3,628	(279)
Items not involving cash from operations:			
Unrealized foreign exchange loss (gain)	14	20	(119)
Equity-based compensation expense	11	401	361
Depletion and depreciation expense	5	2,252	1,377
Impairment expense	4	524	15
Other	13	57	(105)
Deferred income tax recovery	10	(740)	(447)
Funds flow from operations		6,142	803
Net change in non-cash operating working capital		(773)	110
Cash from operating activities		5,369	913
Investing activities			
Exploration and evaluation expenditures	4	(108)	(8,750)
Property, plant and equipment expenditures	5	(11,854)	(269)
Abandonment fund expenditures	9	(301)	(66)
Net change in non-cash investing working capital		10,248	4,424
Cash used in investing activities		(2,015)	(4,661)
Financing activities			
Changes in restricted cash	8	59	59
Repayment of bank debt	8	(1,500)	(1,500)
Net finance lease payments	7	(629)	(295)
Net change in non-cash financing working capital		(10)	(130)
Cash used in financing activities		(2,080)	(1,866)
Increase (decrease) in cash		1,274	(5,614)
Cash, beginning of period		8,186	16,335
Impact of foreign exchange on foreign denominated cash balances		77	138
Cash, end of period		9,537	10,859
Supplementary information for cash from operating activities:			
Interest paid in cash	8	540	530
Income taxes paid in cash	10	358	1,013

See accompanying notes to these unaudited interim condensed consolidated financial statements.

1. Nature of Business

Touchstone Exploration Inc. and its subsidiaries (collectively, "Touchstone" or the "Company") are engaged in the business of petroleum and natural gas exploration, development, acquisition and production. The Company is currently active in the Republic of Trinidad and Tobago ("Trinidad").

Touchstone Exploration Inc. is incorporated under the laws of Alberta, Canada with its head and principal office located at 4100, 350 7th Avenue SW, Calgary, Alberta, Canada T2P 3N9. Touchstone's common shares are listed on the Toronto Stock Exchange ("TSX") and on the AIM market of the London Stock Exchange ("AIM") under the symbol "TXP".

2. Basis of Preparation

Statement of compliance

These unaudited interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023 (the "2023 audited financial statements").

Unless otherwise stated, amounts presented in these financial statements are denominated in United States dollars ("\$" or "US\$"). Canadian dollars ("C\$") and Trinidad and Tobago dollars ("TT\$") may also be referenced herein.

These financial statements have been prepared on a historical cost basis. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the 2023 audited financial statements, except as noted below.

These financial statements were approved and authorized for issuance by Touchstone's Board of Directors (the "Board") on May 13, 2024.

Use of estimates, judgements and assumptions

The timely preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingencies at the date of the financial statements and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated.

In preparing these financial statements, the judgments made by Management in applying the Company's accounting policies and the key sources of significant estimation uncertainty were the same as those applied to the 2023 audited financial statements.

New and amended standards and interpretations

Amendments to IAS 1 Presentation of Financial Statements

The Company adopted amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1") on January 1, 2024. IAS 1 was amended to clarify the requirements for the presentation of liabilities as current or non-current and introduced a requirement regarding the classification and disclosure of a liability with covenants. The adoption of the amendments to IAS 1 had no impact on the Company's financial statements.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2024 and 2023

3. Financial Assets and Credit Risk

As at March 31, 2024, Touchstone was exposed to credit risk with respect to its finance lease receivable (included in other assets on the consolidated balance sheet) and accounts receivable balances.

The credit risk associated with Touchstone's March 31, 2024 finance lease receivable balance of \$299,000 is considered negligible as the assets are secured by the underlying equipment, with ownership transferring to the counterparties subsequent to receipt of the final lease payments.

Credit risk is considered to be low for the Company's accounts receivable, as Touchstone's credit exposure typically pertains to monthly commodity sales and joint interest billings due from Trinidad government owned petroleum and natural gas entities, and value added taxes ("VAT") due from the Trinidad government. Petroleum and natural gas billings are typically collected within one month of production, with approximately 40 percent of the Company's credit exposure as at March 31, 2024 attributed to accrued revenue for March 2024 production volumes. The following tables disclose the composition and aging of Touchstone's accounts receivable balance for the periods indicated.

(\$000's)	March 31, 2024	December 31, 2023
Petroleum and natural gas sales	5,100	6,424
Joint interest billings	2,266	702
VAT	4,784	5,058
Other	607	668
Accounts receivable balance	12,757	12,852

(\$000's)	March 31, 2024	December 31, 2023
Current (less than 30 days)	8,699	7,880
31-60 days	511	302
61-90 days	150	308
Past due (greater than 90 days)	3,397	4,362
Accounts receivable balance	12,757	12,852

As at March 31, 2024, Touchstone determined that the average expected credit loss on its accounts receivables was \$nil. The Company believes that the accounts receivable balances that are past due are collectible, as they solely represent VAT amounts due from the Trinidad government. Although the timing of settlement is uncertain, Touchstone has not historically experienced any collection issues. During the three months ended March 31, 2024, approximately \$1,504,000 in past due VAT was collected.

4. Exploration and Evaluation Assets

(\$000's)	Three months ended March 31, 2024	Year ended December 31, 2023
Balance, beginning of period	5,030	51,352
Additions	108	18,199
Transfer to property, plant and equipment	-	(31,803)
Impairment expense	(59)	(32,747)
Effect of change in foreign exchange rates	(16)	29
Balance, end of period	5,063	5,030

During the three months ended March 31, 2024, \$nil of direct and attributable overhead charges were capitalized to exploration and evaluation ("E&E") assets (2023 - \$202,000).

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2024 and 2023

During the three months ended March 31, 2024, the Company recognized E&E asset impairment expenses of \$59,000 related to the Ortoire E&E asset (2023 - \$15,000).

5. Property, Plant and Equipment

(\$000's)	Petroleum and natural gas development assets	Right-of-use assets	Corporate assets	Total
Cost				
Balance, January 1, 2023	153,699	2,937	2,355	158,991
Additions	1,079	2,934	273	4,286
Transfer from (to) E&E assets (Note 4)	32,204	(401)	-	31,803
Change in decommissioning asset (Note 9)	(269)	-	-	(269)
Reclassified as assets held for sale (Note 5)	(677)	-	-	(677)
Foreign exchange translation	810	22	69	901
Balance, December 31, 2023	186,846	5,492	2,697	195,035
Additions	11,076	-	792	11,868
Transfers within PP&E	637	(637)	-	-
Change in decommissioning asset (Note 9)	59	-	-	59
Reclassified as assets held for sale (Note 5)	(1,108)	-	-	(1,108)
Foreign exchange translation	(697)	(16)	(42)	(755)
Balance, March 31, 2024	196,813	4,839	3,447	205,099
Accumulated depletion, depreciation and impairment				
Balance, January 1, 2023	89,435	480	1,914	91,829
Depletion and depreciation	5,595	241	173	6,009
Impairment reversal	(11,326)	-	-	(11,326)
Foreign exchange translation	325	5	45	375
Balance, December 31, 2023	84,029	726	2,132	86,887
Depletion and depreciation	2,059	153	40	2,252
Impairment expense	474	-	-	474
Foreign exchange translation	(276)	(6)	(39)	(321)
Balance, March 31, 2024	86,286	873	2,133	89,292
Carrying amounts				
Balance, December 31, 2023	102,817	4,766	565	108,148
Balance, March 31, 2024	110,527	3,966	1,314	115,807

During the three months ended March 31, 2024, \$82,000 of direct and attributable overhead charges were capitalized to property, plant and equipment ("PP&E") (2023 - \$112,000).

On March 31, 2024, the Company evaluated its petroleum and natural gas development assets included in PP&E for indicators of any potential impairment or reversal. As a result of this assessment, no indicators were identified.

Dispositions

At December 31, 2023 and March 31, 2024, Touchstone classified assets and associated liabilities associated with a non-core property as held for sale. The disposition is currently awaiting customary regulatory approvals to close.

In March 2024, Touchstone executed a definitive sales and purchase agreement with a third party to dispose of its interest in the CO-2 block for aggregate consideration of approximately \$1,069,000, and subsequently classified the assets and associated liabilities as held for sale. Prior to the transfer, the Company performed the required impairment test and determined that the fair

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2024 and 2023

value of the property's associated net assets was not sufficient to support its carrying value, which resulted in a pre-tax impairment expense of \$474,000 recorded on March 31, 2024.

The following table specifies the carrying values that were classified as held for sale for the periods indicated.

(\$000's)	March 31, 2024	December 31, 2023
PP&E	1,785	677
Abandonment fund (Note 9)	84	-
Assets held for sale	1,869	677
Decommissioning liabilities (Note 9)	(2,000)	(1,898)
Liabilities associated with assets held for sale	(2,000)	(1,898)
Net liabilities held for sale	(131)	(1,221)

6. Financial Liabilities and Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Touchstone actively manages its liquidity risk through cash and debt management strategies such as continuously monitoring actual and forecasted cash and working capital balances and cash flows from operating, investing and financing activities, ensuring compliance with bank debt covenants, and seeking opportunities to expand its existing bank debt or to issue additional equity. Management believes that future cash flows generated from these sources will be adequate to settle financial obligations as they come due.

The Company's principle near-term development plan is focused on increasing cash flow generation via development activities. The Company will take a measured approach to future developmental and exploration capital expenditures to manage financial liquidity while proceeding with this plan. Touchstone will continue to actively monitor its liquidity to ensure that cash flows, potential credit facility capacity and working capital are adequate to support current and future financial liabilities, as well as the Company's near-term capital programs and future work commitments.

At March 31, 2024, the Company had a working capital deficiency. Subsequent to March 31, 2024, Touchstone and its lender entered into a third amended and restated loan agreement, which provided an additional \$13 million of bank debt capacity (see Note 8).

The following table sets forth estimated undiscounted cash outflows and financial maturities of Touchstone's financial liabilities as at March 31, 2024.

(\$000's)	Undiscounted cash outflows ⁽¹⁾	Financial maturity by period		
		Less than 1 year	1 to 3 years	Thereafter
Accounts payable and accrued liabilities ⁽²⁾	23,047	23,047	-	-
Income taxes payable (Note 10)	725	725	-	-
Lease liabilities ⁽³⁾ (Note 7)	4,803	1,157	1,619	2,027
Bank debt ⁽³⁾⁽⁴⁾ (Note 8)	29,200	14,420	13,256	1,524
Total financial liabilities	57,775	39,349	14,875	3,551

Notes:

- (1) The undiscounted cash outflows equal their carrying values, with the exception of lease liabilities and bank debt.
- (2) Excludes the current portion of lease liabilities.
- (3) Includes the notional interest and principal payments.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2024 and 2023

Refer to Note 8 "Bank Debt", Note 15 "Capital Management" and Note 16 "Commitments" for further details regarding the Company's debt structure and capital management objectives and policies.

7. Lease Liabilities

Touchstone is a party to lease arrangements for a drilling rig, office facilities, vehicles and equipment. The following table provides a continuity of the Company's lease liabilities for the periods indicated.

(\$000's)	Three months ended March 31, 2024	Year ended December 31, 2023
Balance, beginning of period	4,328	2,255
Additions	-	2,934
Interest expense	100	287
Repayments	(779)	(1,164)
Effect of change in foreign exchange rates	(17)	16
Balance, end of period	3,632	4,328
Current (included in accounts payable and accrued liabilities)	883	1,440
Non-current	2,749	2,888
Lease liabilities balance	3,632	4,328

8. Bank Debt

As at December 31, 2023 and March 31, 2024, the Company had a \$30 million non-revolving term loan facility and a \$7 million revolving loan facility under pursuant to a loan agreement with its Trinidad based lender.

The term loan facility matures on June 15, 2027 and bears a fixed interest rate of 7.85 percent per annum, compounded and payable quarterly. As at March 31, 2024, the principal balance of the term loan facility was \$19.5 million, with thirteen equal and consecutive quarterly principal payments of \$1.5 million outstanding.

The revolving loan facility matures on May 30, 2024 and may be extended by additional periods of up to one year by agreement between the parties. The revolving loan bears interest at a rate of 7.29 percent for the initial year and is reset annually if extended. Outstanding principal may be repaid at any time, on or before the maturity date without penalty and any amounts repaid may be redrawn at any time. The \$7 million revolving loan facility was fully drawn as of March 31, 2024.

The following table details the movements of the Company's bank debt balance for the periods indicated.

(\$000's)	Term loan facility	Revolving loan facility	Bank debt
Balance, January 1, 2023	26,962	-	26,962
Payments	(6,000)	-	(6,000)
Advances	-	7,000	7,000
Accretion	15	-	15
Balance, December 31, 2023	20,977	7,000	27,977
Payments	(1,500)	-	(1,500)
Accretion	2	-	2
Balance, March 31, 2024	19,479	7,000	26,479
Current	6,000	7,000	13,000
Non-current	13,479	-	13,479
Bank debt balance	19,479	7,000	26,479

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2024 and 2023

Touchstone's bank debt is principally secured by a pledge of equity interests and fixed and floating security interests over all present and after acquired assets of its two Trinidad exploration and production subsidiaries. The loan agreement contains industry standard representations and warranties, undertakings, events of default, and financial covenants, which are applicable on a consolidated basis and evaluated on an annual basis. As at March 31, 2024, the Company was compliant with all covenants provided for in the loan agreement.

Pursuant to the loan agreement, Touchstone must at all times maintain a cash reserves balance of not less than the equivalent of two subsequent quarterly interest payments related to the term loan facility. Accordingly, the Company classified \$726,000 of cash as long-term restricted cash as at March 31, 2024 (December 31, 2023 - \$785,000).

On April 18, 2024, the Company and its lender executed a third amended and restated loan agreement, providing for an additional \$10 million five-year non-revolving term loan facility and an increase to the existing revolving loan facility borrowing capacity from \$7 million to \$10 million. The revolving loan facility was extended by an additional two-year period and may be renewed by additional two-year periods by agreement between the parties. The Company withdrew the full amount of the \$10 million non-revolving term loan facility on May 1, 2024.

9. Decommissioning Liabilities and Abandonment Fund

Touchstone's decommissioning liabilities were calculated by Management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future periods.

The Company has estimated the net present value of the cash flows required to settle its decommissioning liabilities to be \$9,698,000 as at March 31, 2024 based on an inflation adjusted undiscounted future liability of \$14,714,000 (December 31, 2023 - \$9,733,000 and \$14,910,000, respectively). Decommissioning liabilities were estimated as at March 31, 2024 using a weighted average long-term risk-free rate of 5.1 percent and a long-term inflation rate of 2.0 percent (December 31, 2023 - 5.3 percent and 2.1 percent, respectively).

The following table summarizes the movements of Touchstone's estimated decommissioning liability provision for the periods indicated.

(\$000's)	Three months ended March 31, 2024	Year ended December 31, 2023
Balance, beginning of period	9,733	11,182
Liabilities incurred from development activities	126	480
Liabilities settled	-	(18)
Accretion expense	54	257
Revisions to estimates	(75)	(317)
Reclassified as liabilities associated with assets held for sale (Note 5)	(108)	(1,898)
Effect of change in foreign exchange rates	(32)	47
Balance, end of period	9,698	9,733

Pursuant to the Company's production and exploration licences and agreements, the Company is obligated to remit payments into various abandonment funds based on production. Touchstone remits \$0.25 per barrel of oil equivalent of products sold, and the funds shall be used for the future abandonment of wells in the related licenced area. As at March 31, 2024, the Company classified \$2,292,000 of accrued or paid fund contributions as non-current abandonment fund assets (December 31, 2023 - \$2,081,000).

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2024 and 2023

10. Income Taxes

The following table is a reconciliation of income tax expense (recovery) calculated by applying the applicable aggregate Trinidad statutory petroleum tax and unemployment levy rates to net earnings (loss) before income tax expense.

(\$000's unless otherwise stated)	Three months ended March 31,	
	2024	2023
Net earnings (loss) before income tax expense	3,732	(511)
Trinidad statutory combined income tax rate	55.0%	55.0%
Expected income tax expense (recovery) at statutory tax rate	2,053	(281)
Effect on income tax resulting from:		
Change in income tax assets not recognized	(2,687)	(328)
Income tax rate differential	(504)	55
Effect of change in foreign exchange rates and other	1,242	322
Income tax expense (recovery)	104	(232)

The tax regulations and legislation and interpretations thereof in the various jurisdictions in which the Company operates are continually changing. As a result, there are generally a number of income tax matters under review, and Touchstone believes that the provision for income taxes is adequate.

11. Shareholders' Capital

Issued and outstanding common shares

The Company is authorized to issue an unlimited number of voting common shares without nominal or par value. The holders of the common shares are entitled to one vote in respect of each common share held at all meetings of shareholders and the rights to any dividends declared.

The following table summarizes changes in common shares outstanding and shareholders' capital for the periods specified.

	Number of shares outstanding	Shareholders' capital (\$000's)
Balance, January 1, 2023	233,037,226	114,635
Equity-based settlements	1,175,500	330
Balance, December 31, 2023 and March 31, 2024	234,212,726	114,965

Equity compensation plans

Touchstone has a stock option plan (the "Legacy Plan") pursuant to which options to purchase common shares of the Company were granted by the Board to directors, officers and employees of Touchstone. Touchstone adopted an omnibus incentive compensation plan (the "Omnibus Plan"), which was approved by the Company's shareholders on June 29, 2023. The Omnibus Plan replaced the Legacy Plan and was adopted by the Board primarily to allow for a variety of equity-based awards that provide the Company with the ability to grant different types of incentives to directors, officers, employees and consultants including stock options, restricted share units and performance share units. No additional stock options will be granted under the Legacy Plan, and all outstanding stock options previously issued pursuant to the Legacy Plan will continue to be governed by such plan and will continue to vest in accordance with their existing vesting schedules.

As of March 31, 2024, the Company solely had stock option awards outstanding under its equity compensation plans. The aggregate number of common shares reserved for issuance under the Legacy Plan and the Omnibus Plan at any time is limited to 10 percent of the Company's issued

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2024 and 2023

and outstanding common shares. As of March 31, 2024 and December 31, 2023, aggregate stock options outstanding represented 6.1 percent of Touchstone's outstanding common shares.

Unless otherwise determined by the Board, stock option vesting typically occurs one third on each of the next three anniversaries of the grant date as recipients render continuous service to the Company, and the stock options typically expire five years from the grant date. Equity-based compensation expense is recognized as the stock options vest. The following table summarizes changes in outstanding stock options and the related weighted average exercise prices for the periods specified.

	Number of stock options	Weighted average exercise price (C\$)
Issued and outstanding, January 1, 2023	11,928,435	1.00
Granted	3,644,000	1.15
Exercised	(1,175,500)	0.24
Forfeited	(69,000)	1.42
Issued and outstanding, December 31, 2023 and March 31, 2024	14,327,935	1.10
Exercisable, December 31, 2023 and March 31, 2024	7,523,605	0.90

During the three months ended March 31, 2024, the Company recorded equity-based compensation expenses of \$401,000 (2023 - \$361,000).

Weighted average common shares

The following table sets forth the details of weighted average common shares used in calculating net earnings (loss) per common share for the periods indicated.

	Three months ended March 31,	
	2024	2023
Weighted average common shares outstanding - basic	234,212,726	233,037,226
Dilutive impact of equity-based compensation	2,335,450	-
Weighted average common shares outstanding - diluted	236,548,176	233,037,226

There was no dilutive impact to the weighted average number of common shares for the three months ended March 31, 2023, as approximately 3.8 million stock options were excluded from the diluted weighted average share calculation as they were anti-dilutive.

12. Petroleum and Natural Gas Sales

Touchstone derives its primary revenue from contracts with Trinidad government-owned entities through the transfer of commodities invoiced at the end of each month. The following table sets forth petroleum and natural gas sales by product type for the periods indicated.

(\$000's)	Three months ended March 31,	
	2024	2023
Crude oil	7,424	7,500
Natural gas liquids	1,657	-
Natural gas	7,503	976
Petroleum and natural gas sales	16,584	8,476

At March 31, 2024, accounts receivable from petroleum and natural gas sales were \$5,100,000 related to March 2024 production (December 31, 2023 - \$6,424,000 related to December 2023 production).

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2024 and 2023

13. Net Finance Expenses

(\$000's)	Three months ended March 31,	
	2024	2023
Interest income	(5)	(28)
Finance lease interest income	(8)	(12)
Lease liability interest expense (Note 7)	100	51
Bank debt interest expense (Note 8)	535	525
Accretion on decommissioning liabilities (Note 9)	54	60
Other	3	(165)
Net finance expenses	679	431

14. Financial Instruments and Market Risk Management

Financial instruments

As of March 31, 2024, the Company's financial instruments included cash, accounts receivable, restricted cash, finance lease receivable (included in other assets on the consolidated balance sheet), accounts payable and accrued liabilities, income taxes payable, lease liabilities and bank debt.

The carrying values of Touchstone's cash, accounts receivable, accounts payable and accrued liabilities and income taxes payable as of March 31, 2024 approximate their fair values due to the short-term nature of these instruments.

Market risk management

The Company is exposed to certain financial risks inherent in the international oil and natural gas industry including, but not limited to, commodity price risk, foreign exchange rate risk, interest rate risk, credit risk (refer to Note 3) and liquidity risk (refer to Note 6). The risk exposures are proactively reviewed by Touchstone, and Management seeks to mitigate these risks through various business processes and controls. Management of cash flow variability is an integral component of the Company's business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the Board to establish risk management guidelines to be used by Touchstone.

Commodity price risk

Touchstone's operational and financial results are largely dependent on the commodity prices received from crude oil, natural gas liquids and natural gas production. Movements in crude oil and liquids pricing could have a significant positive or negative effect on the Company's comprehensive income (loss) and cash flows. Touchstone does not currently hedge this risk given that over 50 percent of its forecasted petroleum and natural gas sales is expected to be derived from natural gas production governed by a fixed price contract through October 2027. The Company will continue to monitor forward commodity prices and may enter future commodity-based risk management contracts to reduce the volatility of crude oil and liquids sales and protect future development and exploration capital programs.

Foreign currency risk

Foreign currency exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. Touchstone's foreign currency policy is to monitor foreign currency risk exposure in its areas of operations and mitigate that risk where possible by matching foreign currency denominated expenses with petroleum and natural gas sales paid in foreign currencies. The Company attempts to limit its exposure to foreign

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currency risk through collecting and paying foreign currency denominated balances in a timely fashion. Touchstone does not hedge its foreign exchange risk.

As the Company operates in Trinidad, fluctuations in the exchange rate between the TT\$ and the US\$ could have a significant effect on financial results. Although the sales prices of crude oil and liquids production are determined by reference to US\$ denominated benchmark prices, the majority of the invoices for such sales are paid in TT\$, exposing Touchstone to foreign exchange risk. To mitigate this risk, the Company attempts to match revenues received in TT\$ by entering into contracts denominated and payable in TT\$ when possible. In addition, Touchstone has US\$ denominated debt and related interest payments. These risks are currently mitigated by the fact that the TT\$ is informally pegged to the US\$, and all natural gas and natural gas liquids sales are denominated and payable in US\$.

The Company has further foreign exchange exposure on cash balances denominated in C\$ and pounds sterling, head office costs denominated and payable in C\$, and costs denominated and payable in pounds sterling required to maintain its AIM listing. Any material movements in the C\$ to US\$ and the pound sterling to US\$ exchange rates may result in unanticipated fluctuations or have a material effect on Touchstone's reporting results.

Interest rate risk

Interest rate risk arises from changes in market interest rates that may affect comprehensive income (loss) and cash flows. The Company's revolving loan facility is subject to interest rate risk given the interest rate is set on an annual basis if extended by both parties. The interest rate from January 1, 2024 through March 31, 2024 was 7.29 percent.

15. Capital Management

Touchstone actively manages its capital structure and adjusts it in response to changes in economic conditions and the risk characteristics of its underlying assets. Touchstone considers its capital structure to include shareholders' equity, working capital and bank debt. The Company's long-term goal is to fund current period decommissioning and capital expenditures necessary for the replacement of production declines using only cash flows from operations. Exploration and development activities will be financed with a combination of cash flows from operations and other sources of capital. Touchstone uses share equity and bank debt as its primary sources of capital.

Touchstone considers funds flow from operations to be a key measure of capital management and operating performance as it demonstrates the Company's ability to generate the funds necessary to finance capital expenditures and repay debt. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds flow from operations provides a useful measure of the Company's ability to generate cash that is not subject to short-term movements in non-cash operating working capital.

Management monitors working capital, net debt and managed capital as part of the Company's capital structure to evaluate its true debt and liquidity position and to manage capital and liquidity risk. Working capital is calculated by subtracting current liabilities from current assets as they appear on the consolidated balance sheet. Net debt is calculated by summing the Company's working capital and the principal (undiscounted) long-term amount of senior secured debt and is most directly comparable to total liabilities disclosed in the Company's consolidated balance sheet. Management defines managed capital as the sum of net debt and shareholders' equity.

When evaluating the Company's capital structure, Management's long-term strategy is to maintain net debt to trailing twelve-month funds flow from operations at or below a ratio of two times in a normalized commodity price environment. This ratio may increase at certain times as a result of increased capital expenditures or low commodity prices. Touchstone also monitors its capital

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For the three months ended March 31, 2024 and 2023

management through the net debt to managed capital ratio. The Company's strategy is to utilize more equity than debt, thereby targeting net debt to managed capital at a ratio of less than 0.4 to 1.

Working capital, net debt, managed capital, net debt to funds flow from operations ratio and net debt to managed capital ratio are considered non-IFRS capital management measures and ratios and therefore may not be comparable to similar measures presented by other companies. Touchstone's internal capital management calculations for the periods indicated are set forth in the following table.

(\$000's)	Target measure	March 31, 2024	December 31, 2023
Current assets		(25,534)	(22,570)
Current liabilities		39,655	30,151
Working capital deficit		14,121	7,581
Principal non-current balance of bank debt		13,500	15,000
Net debt		27,621	22,581
Shareholders' equity		63,512	59,766
Managed capital		91,133	82,347
Trailing twelve-months funds flow from operations ⁽¹⁾		19,069	13,730
Net debt to funds flow from operations ratio	At or < 2.0 times	1.45	1.64
Net debt to managed capital ratio	< 0.4 times	0.30	0.27

Note:

(1) Trailing twelve-months funds flow from operations as at March 31, 2024 includes the sum of funds flow from operations for the three months ended March 31, 2024 and funds flow from operations for the April 1, 2023 through December 31, 2023 interim period.

16. Commitments

Touchstone has contractual obligations in the normal course of business which include minimum work obligations under various operating agreements with Heritage Petroleum Company Limited ("Heritage"), exploration and commitments under its Cory Moruga and Ortoire block exploration and production licences with the Government of the Republic of Trinidad and Tobago Ministry of Energy and Energy Industries, and various lease commitments (refer to Note 7).

The following table sets forth the Company's estimated minimum contractual payments as at March 31, 2024, excluding those commitments related to assets held for sale.

(\$000's)	Total	Estimated payments due by year			
		2024	2025	2026	Thereafter
Operating agreements	15,083	4,402	4,525	231	5,925
Exploration agreements	12,868	5,271	278	5,400	1,919
Other commitments	641	149	206	194	92
Minimum payments	28,592	9,822	5,009	5,825	7,936

Pursuant to its operating agreements with Heritage, the Company is obligated to fulfill minimum work commitments on an annual basis over each licence term. With respect to these obligations, Touchstone is required to drill five development wells and perform one well workover in 2024. As of the date of these financial statements, two wells have been drilled and one well workover has been performed with respect to these commitments.

As of March 31, 2024, Touchstone is obligated to drill two exploration wells on its Ortoire concession prior to the end of the July 31, 2026 licence term.

17. Subsequent Events

Bank debt amendment

On April 18, 2024, the Company and its lender executed a third amended and restated loan agreement providing for a \$13 million increase in borrowing capacity (refer to Note 8).

Proposed acquisition

On May 1, 2024, Touchstone announced that it reached an agreement with the Board of Directors of Trinity Exploration and Production Plc ("Trinity") on the terms of a recommended all-share acquisition by which the Company intends to acquire the entire issued and to be issued ordinary share capital of Trinity (the "Proposed Acquisition"). Trinity is a crude oil exploration, development and production company with onshore and offshore assets located solely in Trinidad and is publicly listed on AIM. Under the terms of the Proposed Acquisition, Trinity shareholders will receive 1.5 common shares of Touchstone for each Trinity common share held. Approximately 58.3 million Touchstone common shares, representing 24.91 percent of the Company's currently outstanding common shares are expected to be issued pursuant to the Proposed Acquisition. Completion of the Proposed Acquisition is subject to customary regulatory, stock exchange and Trinity shareholder approvals. In connection with the Proposed Acquisition, the Company incurred \$380,000 in transaction costs during the three months ended March 31, 2024.



Corporate Information

Directors

John D. Wright
Chair of the Board

Jenny Alfandary
Paul R. Baay
Priya Marajh
Kenneth R. McKinnon
Peter Nicol
Beverley Smith
Stanley T. Smith
Harrie Vredenburg

Corporate Secretary
Thomas E. Valentine

Officers and Senior Executives

Paul R. Baay
President and Chief Executive Officer

Scott Budau
Chief Financial Officer

James Shipka
Executive Vice President Asset Development and HSE

Brian Hollingshead
Executive Vice President Engineering and Business Development

Alex Sanchez
Vice President Production and Environment

Cayle Sorge
Vice President Finance

Head Office

Touchstone Exploration Inc.
4100, 350 7th Avenue SW
Calgary, Alberta, Canada
T2P 3N9

Registered Office

3700, 400 3rd Avenue SW
Calgary, Alberta, Canada
T2P 4H2

Operating Offices

Touchstone Exploration (Trinidad) Ltd.
#30 Forest Reserve Road
Fyzabad, Trinidad, W.I.

Primera Oil and Gas Limited
#14 Sydney Street
Rio Claro, Trinidad, W.I.

Stock Exchange Listings
Toronto Stock Exchange
London Stock Exchange AIM
Symbol: TXP

Banker
Republic Bank Limited
Port of Spain, Trinidad, W.I.

Auditor
KPMG LLP
Calgary, Alberta, Canada

Reserves Evaluator

GLJ Ltd.
Calgary, Alberta, Canada

Legal Counsel

Norton Rose Fulbright LLP
Calgary, Alberta, Canada
London, United Kingdom

Transfer Agent and Registrar
Odyssey Trust Company
Calgary, Alberta, Canada

Link Group
London, United Kingdom

UK Nominated Advisor and Joint Broker
Shore Capital
London, United Kingdom

UK Joint Broker
Canaccord Genuity
London, United Kingdom

UK Public Relations
FTI Consulting
London, United Kingdom